

VMR-VRO CHECKLIST –  
DEFAULT WITHHOLDING CLASSES

The most commonly used IRS Class Codes are listed in the table below, also included are the different types of vendors.

The Most Commonly Used IRS Class Codes		Business type of reportable vendors:			
Type of IRS Codes:	Type of Payments	Corporation	Individuals	Partnerships	Sole Proprietors
01-Rents	Any type of rent payment including room rentals		X	X	X
03-Other Income	Awards, prizes, office bonus, etc		X	X	X
06-Medical and Health Care Payments	All medical services provided.	X(medical services only)	X	X	X
07-Non-employee comp	Services provided	X(legal fees only)	X	X	X
14-Gross Attorney Proceeds		X (legal fees only)	X	X	X

Instructions -

1. Motels and hotels that are not corporations, but are individuals/sole proprietors, or partnerships are **reportable**:
  - a. Set up withholding classes of 01 and 07
  - b. Mark class 01 with the default checkmark
2. Health Providers(hospitals, clinics, doctors, or dentists, etc.) that are for-profit corporations are **reportable**:
  - a. Set up withholding class 06 only with default checkmark
3. Health Providers such as doctors and dentists that are individuals, sole proprietors, or partnerships are **reportable**:
  - a. Set up withholding classes of 06 and 07
  - b. The default will depend upon the agency requesting – VMRs may need to ask them why they are being paid (medical services or consulting).
    - i. 06 is for providers of medical services
    - ii. 07 is for doctors and psychiatrists that do consulting or give expert witness testimony.
    - iii. Rule of thumb could be 07 for individuals performing services and 06 for businesses. It's best to ask the agency however.
4. All legal firms, including corporations are **reportable**:
  - a. Set up two withholding classes, 07 and 14
  - b. Mark 07 with the default checkmark.